MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER
MUSKINGUM COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2008

Mary Taylor, CPA
Auditor of State

MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER
MUSKINGUM COUNTY

TABLE OF CONTENTS

TITLE	PAGE

MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER
MUSKINGUM COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE

INDEPENDENT ACCOUNTANTS' REPORT

Muskingum Valley Educational Service Center
Muskingum County
205 North Seventh Street
Zanesville, Ohio 43701

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Muskingum Valley Educational Service Center, Muskingum County, Ohio (the Center), as of and for the year ended June 30, 2008, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Muskingum Valley Educational Service Center, Muskingum County, Ohio, as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2009, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701-2157
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements. The Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual provide additional information and are not a required part of the basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual and the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 9, 2009

The discussion and analysis of Muskingum Valley Educational Service Center's financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the Center's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2008 are as follows:

- Net assets increased $607,129, which represents a 26% increase from 2007.
- General revenues accounted for $1,738,063 in revenue or 14.6% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $10,129,281 or 85.4% of total revenues of $11,867,344.
- The Center had $11,260,215 in expenses related to governmental activities; only $10,129,281 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of $1,738,063 were adequate to provide for these programs as net assets increased by $607,129.
- Among major funds, the General Fund had $8,148,090 in revenues and $7,949,493 in expenditures. The General Fund's fund balance increased $198,597 to $2,719,739. This increase is attributable to the increase in charges for support services. The fund balances of the Tech Equity Fund and the Parent Mentor Fund increased by $71,264 and $316,256 respectively. The increase is attributable to increased receipts of federal funds, some of which were not received during 2007.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – management's discussion and analysis and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the Center:

These statements are as follows:

1. The Government-Wide Financial Statements – These statements provide both long-term and short-term information about the Center's overall financial status.
2. The Fund Financial Statements – These statements focus on individual parts of the Center, reporting the Center's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Government-wide Statements

The government-wide statements report information about the Center as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Center's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Center's net assets and how they have changed. Net-assets (the difference between the Center's assets and liabilities) is one way to measure the Center's financial health or position.

Over time, increases or decreases in the Center's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the Center you need to consider additional nonfinancial factors such as student enrollment growth and facility conditions.

The government-wide financial statements of the Center reflect the following category for its activities:

> Governmental Activities – Most of the Center's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Center's most significant funds, not the Center as a whole. Funds are accounting devices that the Center uses to keep track of specific sources of funding and spending for particular purposes.

Governmental Funds – Most of the Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Center's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds – The Center uses an internal service fund to report activities that provide services for the Center's other programs and activities. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Assets and the Statement of Activities.

Fiduciary Funds – The Center is the trustee, or fiduciary, for various scholarship programs for student scholarship programs. The Center also has agency funds. Agency funds are custodial in nature (assets equaling liabilities) and do not involve measurements of results of operations. Fiduciary funds are excluded from the other financial statements because their assets are not available to the Center to finance operations. Fiduciary funds use the accrual basis of accounting.

FINANCIAL ANALYSIS OF THE CENTER AS A WHOLE

The following table provides a comparison of the Center's net assets for 2008 and 2007:

	Governmental Activities	
	2008	2007
Current and other assets	$4,781,509	$4,238,799
Capital assets, Net	187,275	172,831
Total assets	4,968,784	4,411,630
Long-term liabilities outstanding	761,928	851,986
Other liabilities	1,262,071	1,221,988
Total liabilities	2,023,999	2,073,974
Net assets		
Invested in capital assets, net of related debt	187,275	172,831
Restricted	631,944	139,348
Unrestricted	2,125,566	2,025,477
Total net assets	$2,944,785	$2,337,656

This space intentionally left blank.

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2008 and 2007:

	Governmental Activities	
	2008	2007
Revenues		
Program revenues:		
Charges for Services and Sales	$6,360,066	$5,546,931
Operating Grants and Contributions	3,769,215	2,623,894
General revenues:		
Grants and Entitlements	1,226,746	1,648,177
Other	511,317	440,108
Total revenues	11,867,344	10,259,110
Program Expenses		
Instruction	3,137,860	2,983,716
Support Services:		
Pupils	2,064,267	1,842,566
Instructional Staff	4,567,306	3,881,752
Board of Education	33,573	31,461
Administration	847,877	778,178
Fiscal Services	268,276	248,099
Operation and Maintenance of Plant	3,063	7,488
Pupil Transportation	18,925	9,487
Central	109,966	64,957
Payments to Districts	193,612	160,000
Operation of Non-Instructional Services		
Community Services	3,000	46,075
Extracurricular Activities	12,490	16,831
Total expenses	11,260,215	10,070,610
Total Change in Net Assets	607,129	188,500
Beginning Net Assets	2,337,656	2,149,156
Ending Net Assets	$2,944,785	$2,337,656

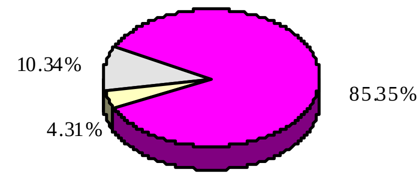
Governmental Activities

Net assets of the Center's governmental activities increased by $607,129. During fiscal year 2008, the Center was able to increase revenues by adding fiscal agent responsibilities and increasing charges and administrative fees. The Center also expanded regional services, specifically in the areas of Data, Curriculum Tools, and professional development.

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008 ***Unaudited***

Program revenues made up 85.35% of revenues for governmental activities for Muskingum Valley Educational Service Center in fiscal year 2008. The Center's reliance upon these revenues is demonstrated by the following graph:

Revenue Sources	2008	Percent of Total
General Grants	$1,226,746	10.34%
Program Revenues	10,129,281	85.35%
General Other	511,317	4.31%
Total Revenue	$11,867,344	100.00%



FINANCIAL ANALYSIS OF THE CENTER'S FUNDS

The Center's governmental funds reported a combined fund balance of $3,129,396, which is higher than last year's total of $2,488,969. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2008 and 2007.

	Fund Balance June 30, 2008	Fund Balance June 30, 2007	Increase (Decrease)
General	$2,719,739	$2,521,142	$198,597
Tech Equity	61,089	(10,175)	71,264
Parent Mentor	207,497	(108,759)	316,256
Other Governmental	141,071	86,761	54,310
Total	$3,129,396	$2,488,969	$640,427

General Fund –The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2008 Revenues	2007 Revenues	Increase (Decrease)
Tuition	$3,276,263	$3,036,409	$239,854
Charges for Services	2,833,577	2,413,578	419,999
Investment Earnings	122,161	145,171	(23,010)
Extracurricular Activities	12,345	15,050	(2,705)
Intergovernmental - State	1,228,690	1,650,177	(421,487)
Intergovernmental - Federal	259,844	37,184	222,660
All Other Revenue	415,210	123,991	291,219
Total	$8,148,090	$7,421,560	$726,530

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008 ***Unaudited***

General Fund revenues increased in 2008, by 9.8% compared to revenues in fiscal year 2007 due to increases in charges for instruction services, specifically due to changes in the delivery model for Early Childhood Education services. State funds decreased due to a reduction in per pupil funding of $82,000. Further, due to an Auditor of State bulletin, certain dollars received through the Foundation program were reported as Charges for Services, rather than State Foundation funding, as in prior fiscal years.

	2008 Expenditures	2007 Expenditures	Increase (Decrease)
Instruction	$2,905,791	$2,537,493	$368,298
Supporting Services:			
Pupils	1,762,687	1,605,518	157,169
Instructional Staff	2,254,615	2,032,556	222,059
Board of Education	33,573	31,461	2,112
Administration	455,672	494,732	(39,060)
Fiscal Services	202,242	199,564	2,678
Operation & Maintenance of Plant	1,945	940	1,005
Pupil Transportation	18,486	8,871	9,615
Central	106,966	61,957	45,009
Payments to Districts	193,612	160,000	33,612
Extracurricular Activities	12,490	16,831	(4,341)
Capital Outlay	1,414	2,466	(1,052)
Total	$7,949,493	$7,152,389	$797,104

The expenditures increased by $797,104 or 11.1% compared to the prior year. During fiscal year 2008, the Center employed additional Early Education instructional staff, which resulted in higher expenditures in salaries and benefits. This change in instructional programming accounts for half of the total increase in expenditures compared to the prior fiscal year.

CAPITAL ASSETS AND LONG-TERM LIABILITIES ADMINISTRATION

Capital Assets

At the end of fiscal 2008 the Center had $187,275 net of accumulated depreciation invested in buildings and improvements; and machinery and equipment. The following table shows fiscal year 2008 and 2007 balances:

	Governmental Activities		Increase (Decrease)
	2008	2007	
Buildings and Improvements	$645	$645	$0
Machinery and Equipment	883,154	857,373	25,781
Less: Accumulated Depreciation	(696,524)	(685,187)	(11,337)
Totals	$187,275	$172,831	$14,444

The Center reported an increase in machinery and equipment. The increase in machinery and equipment is not attributable to any significant capital asset acquisitions during the year.

Additional information on the Center's capital assets can be found in Note 6.

Long-Term Liabilities

At June 30, 2008, the Center had $761,928 in compensated absences payable, $13,675 due within one year. The following table summarizes the Center's long-term obligations outstanding as of June 30, 2008 and 2007:

	2008	**2007**
Governmental Activities:		
Compensated Absences Payable	$761,928	$851,986

Additional information on the Center's long-term liabilities can be found in Note 9.

ECONOMIC FACTORS

As the preceding information shows, the Center relies heavily on contracts with local and city school districts in Coshocton, Morgan, and Muskingum counties. Other significant revenue sources for the Center are state foundation payments and grants. Existing contracts with the Center's partner school districts, as well as the Center's cash balance, will provide the Center with the necessary funds to operate during fiscal year 2009. However, the future financial health of the Center presents certain challenges.

The first challenge is the Center's state foundation payments. The Center's state funding has been frozen at $40.52 per pupil since fiscal year 2000. The Center relies on the $40.52 per pupil to support fiscal and administrative costs. During fiscal year 2008, the State of Ohio reduced ESC funding. It does not appear at this time that state funding will be reduced during fiscal year 2009.

The second challenge regards the financial health of the local school districts served by the Center. Several of the local schools are projecting deficits in their five-year health of the districts, which may preclude them from obtaining additional or existing Center services.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information contact Christine Wagner, Treasurer of Muskingum Valley Educational Service Center, 205 North 7th St., Zanesville, Ohio 43701.

This Page Intentionally Left Blank.

Statement of Net Assets
June 30, 2008

		Governmental Activities
Assets:		
Cash and Cash Equivalents	$	2,715,104
Investments		804,471
Receivables:		
Accounts		1,635
Intergovernmental		1,134,362
Interest		3,436
Prepaid Items		122,501
Capital Assets, Net		187,275
Total Assets		4,968,784
Liabilities:		
Accounts Payable		152,542
Accrued Wages and Benefits		836,429
Intergovernmental Payable		236,241
Vacation Benefits Payable		36,859
Long Term Liabilities:		
Due Within One Year		13,675
Due in More Than One Year		748,253
Total Liabilities		2,023,999
Net Assets:		
Invested in Capital Assets		187,275
Restricted For:		
Other Purposes		631,944
Unrestricted		2,125,566
Total Net Assets	$	2,944,785

See accompanying notes to the basic financial statements

Statement of Activities
For the Fiscal Year Ended June 30, 2008

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	$ 3,137,860	$ 3,159,418	$ 326,979	$ 348,537
Support Services:				
Pupils	2,064,267	1,231,155	326,362	(506,750)
Instructional Staff	4,567,306	1,594,425	2,591,135	(381,746)
Board of Education	33,573	0	1,096	(32,477)
Administration	847,877	62,555	388,938	(396,384)
Fiscal Services	268,276	0	115,948	(152,328)
Operation and Maintenance of Plant	3,063	0	1,166	(1,897)
Pupil Transportation	18,925	0	975	(17,950)
Central	109,966	300,168	6,112	196,314
Payments to Districts	193,612	0	7,117	(186,495)
Operation of Non-Instructional:				
Community Services	3,000	0	3,000	0
Extracurricular Activities	12,490	12,345	387	242
Total Governmental Activities	11,260,215	6,360,066	3,769,215	(1,130,934)
Totals	$ 11,260,215	$ 6,360,066	$ 3,769,215	(1,130,934)

General Revenues	
Grants and Entitlements not Restricted to Specific Programs	1,226,746
Investment Earnings	123,313
Miscellaneous	388,004
Total General Revenues	1,738,063
Change in Net Assets	607,129
Net Assets Beginning of Year	2,337,656
Net Assets End of Year	$ 2,944,785

See accompanying notes to the basic financial statements

Balance Sheet
Governmental Funds
June 30, 2008

	General	Tech Equity Grant	Parent Mentor Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	$ 2,459,933	$ 1,266	$ 20,828	$ 32,900	$ 2,514,927
Investments	804,471	0	0	0	804,471
Receivables:					
Accounts	1,635	0	0	0	1,635
Intergovernmental	287,762	199,930	314,875	311,758	1,114,325
Interest	3,436	0	0	0	3,436
Interfund Loan Receivable	16,913	0	0	0	16,913
Prepaid Items	122,501	0	0	0	122,501
Total Assets	$ 3,696,651	$ 201,196	$ 335,703	$ 344,658	$ 4,578,208
Liabilities:					
Accounts Payable	$ 101,004	$ 29,050	$ 811	$ 4,748	$ 135,613
Accrued Wages and Benefits	685,996	51,650	1,102	80,264	819,012
Intergovernmental Payable	186,476	19,662	2,289	23,200	231,627
Interfund Loans Payable	0	0	0	16,913	16,913
Deferred Revenue	3,436	39,745	124,004	78,462	245,647
Total Liabilities	976,912	140,107	128,206	203,587	1,448,812
Fund Balances:					
Reserved for Encumbrances	256,914	158,490	328,059	237,371	980,834
Reserved for Prepaid Items	122,501	0	0	0	122,501
Unreserved, Undesignated in:					
General Fund	2,340,324	0	0	0	2,340,324
Special Revenue Funds (Deficits)	0	(97,401)	(120,562)	(96,300)	(314,263)
Total Fund Balances	2,719,739	61,089	207,497	141,071	3,129,396
Total Liabilities and Fund Balances	$ 3,696,651	$ 201,196	$ 335,703	$ 344,658	$ 4,578,208

See accompanying notes to the basic financial statements

Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
June 30, 2008

Total Governmental Fund Balances	$ 3,129,396
Amounts reported for governmental activities in the statement of net assets are different because	
Capital assets used in governmental activities are not resources and therefore are not reported in the funds.	187,275
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	245,647
The internal service fund is used by management to charge the costs of services provided to individual funds of the Center, or to other governments. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.	180,661
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(798,194)
Net Assets of Governmental Funds	$2,944,785

See accompanying notes to the basic financial statements

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Tech Equity Grant	Parent Mentor Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local Sources:					
Tuition	$ 3,276,263	$ 0	$ 0	0	3,276,263
Charges for Services	2,833,577	0	0	0	2,833,577
Investment Earnings	122,161	0	0	0	122,161
Extracurricular Activities	12,345	0	0	0	12,345
Class Materials and Fees	0	0	0	0	0
Intermediate Sources	0	0	0	127,885	127,885
Intergovernmental - State	1,228,690	1,417,950	0	774,977	3,421,617
Intergovernmental - Federal	259,844	0	1,163,419	142,201	1,565,464
All Other Revenue	415,210	1,000	0	0	416,210
Total Revenue	8,148,090	1,418,950	1,163,419	1,045,063	11,775,522
Expenditures:					
Current:					
Instruction	2,905,791	26,003	0	239,919	3,171,713
Supporting Services:					
Pupils	1,762,687	199,328	6,272	120,723	2,089,010
Instructional Staff	2,254,615	783,180	795,138	570,510	4,403,443
Board of Education	33,573	0	0	0	33,573
Administration	455,672	319,407	31,593	22,000	828,672
Fiscal Services	202,242	19,768	14,160	30,044	266,214
Operation & Maintenance of Plant	1,945	0	0	1,118	3,063
Pupil Transportation	18,486	0	0	439	18,925
Central	106,966	0	0	3,000	109,966
Payments to Districts	193,612	0	0	0	193,612
Operation of Non-Instructional:					
Community Services	0	0	0	3,000	3,000
Extracurricular Activities	12,490	0	0	0	12,490
Capital Outlay	1,414	0	0	0	1,414
Total Expenditures	7,949,493	1,347,686	847,163	990,753	11,135,095
Net Change in Fund Balance	198,597	71,264	316,256	54,310	640,427
Fund Balances at Beginning of Year	2,521,142	(10,175)	(108,759)	86,761	2,488,969
Fund Balances End of Year	$ 2,719,739	$ 61,089	$ 207,497	$ 141,071	$ 3,129,396

See accompanying notes to the basic financial statements

Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities For The Fiscal Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	$ 640,427
Amounts reported for governmental activities in the statement of activities are different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	15,211
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received.	(767)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(112,213)
Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	87,511
The internal service fund is used by management to charge the costs of services to individual funds or other governments and is reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.	(23,040)
Change in Net Assets of Governmental Activities	$ 607,129

See accompanying notes to the basic financial statements

Statement of Net Assets
Proprietary Funds
June 30, 2008

	Governmental Activities - Internal Service Funds
Assets:	
Current Assets:	
Cash and Cash Equivalents	$ 200,177
Receivables:	
Intergovernmental	20,037
Total Current Assets	220,214
Non Current Assets:	
Total Assets	220,214
Liabilities:	
Current Liabilities:	
Accounts Payable	16,929
Accrued Wages and Benefits	17,417
Intergovernmental Payable	4,614
Total Current Liabilities	38,960
Long Term Liabilities:	
Compensated Absences Payable	593
Total Long Term Liabilities	593
Total Liabilities	39,553
Net Assets:	
Unrestricted	180,661
Total Net Assets	$ 180,661

See accompanying notes to the basic financial statements

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2008

	Governmental Activities - Internal Service Funds
Operating Revenues:	
Tuition and Fees	$ 5,400
Charges for Services	199,402
Total Operating Revenues	204,802
Operating Expenses:	
Salaries and Wages	121,233
Fringe Benefits	29,028
Contractual Services	36,391
Supplies and Materials	41,190
Total Operating Expenses	227,842
Change in Net Assets	(23,040)
Net Assets Beginning of Year	203,701
Net Assets End of Year	$ 180,661

See accompanying notes to the basic financial statements

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

	Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities:	
Cash Received from Charges for Services	$211,294
Cash Payments for Goods and Services	(60,652)
Cash Payments to Employees for Services and Benefits	(147,249)
Net Cash Used by Operating Activities	3,393
Net Decrease in Cash and Cash Equivalents	3,393
Cash and Cash Equivalents at Beginning of Year	196,784
Cash and Cash Equivalents at End of Year	$200,177
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	($23,040)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Intergovernmental Receivable	6,492
Increase in Accounts Payable	16,929
Increase in Accrued Wages and Benefits	2,108
Increase in Intergovernmental Payables	1,472
Decrease in Vacation Benefits Payable	(568)
Total Adjustments	26,433
Net Cash Used by Operating Activities	$3,393

See accompanying notes to the basic financial statements

Statement of Net Assets
Fiduciary Funds
June 30, 2008

	Private Purpose Trust		
	Special Trust Fund	Investment Trust Fund	Agency
Assets:			
Cash and Cash Equivalents	$ 57,236	$ 532,778	$ 1,893,119
Receivables:			
Intergovernmental	600	0	0
Total Assets	57,836	532,778	1,893,119
Liabilities:			
Accounts Payable	0	9,678	0
Due to Others	0	0	1,893,119
Total Liabilities	0	9,678	1,893,119
Net Assets:			
Restricted For:			
Held in Trust for Scholarships	57,836	0	0
Trust Pool Participants	0	523,100	0
Total Net Assets	$ 57,836	$ 523,100	$ 0

See accompanying notes to the basic financial statements

Statement of Changes in Net Assets
Fiduciary Funds
For the Year Ended June 30, 2008

	Private Purpose Trust Special Trust Fund	Investment Trust Fund
Additions:		
Contributions:		
Private Donations	$ 7,179	$ 0
Dues	0	308,834
Total Contributions	7,179	308,834
Investment Earnings:		
Interest	0	32,152
Total Investment Earnings	0	32,152
Total Additions	7,179	340,986
Deductions:		
Administrative Expenses	4,900	258,335
Total Deductions	4,900	258,335
Change in Net Assets	2,279	82,651
Net Assets at Beginning of Year	55,557	440,449
Net Assets End of Year	$ 57,836	$ 523,100

See accompanying notes to the basic financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Muskingum Valley Educational Service Center (the Center) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Center is a local district as defined by Section 3311.05 of the Ohio Revised Code. The Center operates under an elected Board of Education of seven members and serves students and educators in Coshocton, Morgan and Muskingum Counties.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *"The Financial Reporting Entity,"* in that the financial statements include all organizations, activities, functions and component units for which the Center (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the Center's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the Center. There were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the Center's reporting entity. Based on the foregoing, the reporting entity of the Center includes the following services: services to families and children, professional development and teacher support, technical assistance, curriculum services and operational support.

The Center participates in 2 jointly governed organizations and 3 insurance purchasing pools. These organizations are the Ohio Mid-Eastern Regional Education Service Agency, Coalition of Rural and Appalachian Schools, the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Schools of Ohio Risk Sharing Authority, and the Ohio School Benefits Cooperative. These organizations are presented in Notes 11 and 12 to the basic financial statements.

The accounting policies and financial reporting practices of the Center conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are summarized by type in the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

The following fund types are used by the Center:

Governmental Funds - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the Center's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the Center's major governmental funds:

General Fund - This fund is the general operating fund of the Center and is used to account for all financial resources except those accounted for in another fund. The General Fund balance is available to the Center for any purpose provided it is expended or transferred according to the general laws of Ohio.

Tech Equity Grant Fund – This fund is used to account for monies set aside provided by various State programs.

Parent Mentor Fund - This fund is used to account for monies set aside to aid parents with disabled children.

The other governmental funds of the Center account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds - The proprietary funds are accounted for on a "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of the proprietary funds are included on the balance sheet. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in retained earnings (net total assets).

Internal Service Fund - The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Center or to other governments on a cost-reimbursement basis.

The Center's Telecommunity Appalachian Project internal service fund accounts for distance learning activities for students, teachers, and administrators. The project is funded by membership dues and program charges to participating districts.

The Center's Rotary Fund for Local School Districts internal service fund accounts for proficiency remediation services provided to participating schools. Fees are based on the costs necessary to run the program. The Rotary Workstudy Fund accounts for the annual "Explore Ohio" field trip program for the Center's Workstudy students.

The Muskingum County Christmas Concert Rotary internal service fund accounts for the expenses necessary to sponsor an annual Christmas Concert featuring the choirs of the local schools in Muskingum County. Revenues for the concert are generated by ticket sales.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

The Summer Camp Gifted Program accounts for learning opportunities specifically targeted to students identified as gifted.

Fiduciary Funds

Trust and Agency Funds – These funds are used to account for assets held by the Center in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds and are therefore not available to support the Center's own programs. The Center has a private purpose trust fund which accounts for the activity of the "Susan Award Writing Scholarship Program" for students and the "Mahoney Aspiring Administrator Scholarship Program" for teachers/administrators. The Center also has an investment trust fund that accounts for all the fiscal activities of the "Ohio Coalition for Equity and Adequacy of School Funding". The Center's agency funds account for the activity of the Southeastern Ohio Title I Consortium, which is a group of school districts that organizes professional development meetings for teachers, and for the Ohio School Benefits Cooperative, which is a claims servicing and purchasing pool, both of which the Center acts as the fiscal agent.

C. Basis of Presentation – Financial Statements

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the Center that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Center's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Center.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

Fund Financial Statements – Fund financial statements report detailed information about the Center. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the Center is considered to be 60 days after fiscal year end. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Revenue considered susceptible to accrual at year-end includes tuition, grants and entitlements, student fees, and interest on investments.

Non-exchange transactions, in which the Center receives value without directly giving equal value in return, include grants, entitlements and donations. On an accrual basis, revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

Pursuant to GASB Statement No. 20, *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,"* the Center follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and amounts in STAR Ohio.

Except for a portion of General Fund monies, the Center pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account.

F. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, *"Accounting and Financial Reporting for Certain Investments and for External Investment Pools,"* the Center reports its United States Treasury Notes at fair value, and reports its nonnegotiable certificates of deposit at cost. These amounts are specifically identifiable to the General Fund and are presented as "Investments" on the Center's financial Statements.

The Center had invested funds in the State Treasury Asset Reserve of Ohio during 2008. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2008. These amounts are presented as "Cash and Cash Equivalents" on the Center's Financial Statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets and Depreciation

The accounting and reporting treatment applied to capital assets is determined by their ultimate use:

1. Property, Plant, and Equipment – Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statements of Net Assets, but they are not reported in the Fund Financial Statements. The Center follows the policy of not capitalizing assets with a cost less than $500.

Contributed capital assets are recorded at fair market value at the date received. The Center does not possess any infrastructure. Capital asset values were initially determined by identifying historical costs where such information was available. In cases where information supporting original costs was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

2. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Estimated Lives (in years)
Buildings and Improvements	10-30
Machinery and Equipment	3-15

H. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

Obligation	Fund
Compensated Absences	General Fund

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences

All compensated absences liabilities are reported on the government-wide financial statements. The Center's liabilities for compensated absences consist of vacation benefits payable, long-term liabilities due in one year, long-term liabilities due in more than one year and matured compensated absences payable.

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Center will compensate the employees for the benefits through paid time off or some other means. Employees with one (1) year but less than five (5) years of service in the Center as of July 1 are entitled to an annual vacation of twelve (12) days. Employees with five (5) years but less than twenty (20) years of service in the Center as of July 1 are entitled to an annual vacation of eighteen (18) days. Employees with twenty (20) or more years of service in the Center as of July 1 are entitled to an annual vacation of twenty (20) days. Vacation benefits are credited each July 1st following each year of employment and must be taken by June 30th of the fiscal year credited. Payment in lieu of vacation is permitted, up to a maximum of three (3) days. The Center's liability for these vacation benefits is recorded as "vacation benefits payable", rather than as "long-term liabilities", as the balances earned by employees must be used within a year.

The Center's exception to the vacation policy concerns the superintendent's contract. The contract entitles the superintendent to be entitled to twenty-five (25) vacation days with each year and to be permitted to accrue forty (40) days of unused vacation. The Center's liability for the superintendent's accrual of unused vacation benefits (40 days) is recorded as "long-term liabilities due in more than one year" since the average maturity of this vacation benefit is greater than one year. The Center's liability for the superintendent's normal annual allocation of vacation benefits (25 days) is recorded as "vacation benefits payable" rather than as "long-term liabilities", as the balance must be used within a year.

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end. The Center records a liability for accumulated unused sick leave for employees after five years of current service with the Center. Employees may earn 15 days of sick leave per year up to a maximum of one hundred and eighty (180) days for employees working one hundred eighty-two (182) days to one hundred ninety-one (191) days, one hundred ninety-two (192) days for employees working one hundred ninety-two days (192) to two hundred-one (201) days, and two hundred-two (202) days for employees working two hundred-two (202) days. The maximum sick leave accumulation for all employees shall be two hundred and two (202) days. Upon retirement, employees will receive a maximum of forty (40) days for employees working one hundred and eighty-two (182) to one hundred ninety-one (191) days and forty-five (45) days for those working one hundred ninety-two (192) days or more.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences (Continued)

Additional compensation, to recognize extended service as a career professional, may be awarded by the Board equal to one (1) day's per diem at the current base salary at the time of retirement for every year of service to the organization.

The Center's liability for the portion of sick leave and extended service benefits which have an average maturity greater than one year are recorded as "long-term liabilities" and are reported in two components, the amount due within one year and the amount due in more than one year. The Center has estimated $13,675 of the total long-term liability to be due within one year based on historical trends and budgeted amounts.

The only compensated absence liability recognized on both government-wide financial statements and the governmental fund financial statements, are those liabilities and expenditures that represent payments which come due (mature) upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" on the government-wide financial statements and on the governmental fund financial statements in the fund(s) from which these payments will be made. The liability consists of vacation, sick and extended service benefits.

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. There was no enabling legislation restricting the Center's net assets during the 2008 fiscal year.

The Center applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Pensions

The provision for pension costs are recorded when the related payroll is accrued and the obligation is incurred. Pension liabilities expected to be paid from current available financial resources are recorded as a fund liability.

L. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for prepaid items and encumbered amounts which have not been accrued at year end.

N. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

The Center currently participates in several State and Federal programs, categorized as follows:

Entitlements
- *General Fund*
  - State Foundation Program

Non-Reimbursable Grants
- *Special Revenue Funds*
  - Educational Management Information Systems
  - Public School Preschool
  - Data Communications
  - School Net
  - Alternative Education/Schools Challenge
  - Tech Equity
  - Parent Mentor
  - Title I ESEA School Support Team Program
  - Preschool Grant for Children with Disabilities

Grants and entitlements amounted to approximately 42% of the Center's operating revenue during the 2008 fiscal year.

NOTE 2 - ACCOUNTABILITY

Fund Deficits - The fund deficits at June 30, 2008 of $73,581 in the Public Preschool Fund, and $2,439 in the EHA Preschool Handicap Grant Fund (special revenue funds) arose from the recognition of expenditures on the modified accrual basis of accounting. Deficits did not exist under the cash basis of accounting.

NOTE 3 – DEPOSITS AND INVESTMENTS

Statutes require the classification of funds held by the Center into three categories. Category 1 consists of "active" funds - those funds required to be kept in a "cash" or "near cash" status for immediate use by the Center. Such funds must be maintained either as cash in the Center Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;

- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

- Interim deposits in eligible institutions applying for interim funds;

- Bonds and other obligations of the State of Ohio;

- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and

- The State Treasury Asset Reserve of Ohio (STAROhio).

- Commercial paper and bankers acceptances if training requirements have been met.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments in stripped principal or interest obligations, reverse purchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are prohibited. Investments may only be made through specified dealers and institutions.

The Center has a formal adopted investment policy with the objective being safety in the portfolio's principal value and liquidity.

A. <u>Deposits</u>

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of Center cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the Center places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in possession of an outside party. At year end the carrying amount of the Center's deposits was $2,837,532 and the bank balance was $3,332,534. Federal depository insurance covered $200,000 of the bank balance and $3,132,534 was uninsured. Of the remaining uninsured bank balance, the Center was exposed to custodial risk as follows:

	Balance
Uninsured and collateralized with securities held by the pledging institution's trust department not in the Center's name	$3,132,534
Total Balance	$3,132,534

Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Center to a successful claim by FDIC.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

The Center has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Center of a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investment earnings of $55,727 earned by other funds were credited to the General Fund as required by state statute.

B. <u>Investments</u>

The Center's investments at June 30, 2008 were as follows:

			Investment Maturities (in Years)	
	Fair Value	Credit Rating	less than 1	1-3
Repurchase Agreements	$2,211,809	N/A	$2,211,809	$0
STAR Ohio	353,887	AAAm [1]	353,887	0
FHLB	100,326	AAA [1]	0	100,326
US Treasury Notes	499,479	*	0	499,479
Total Investments	$3,165,501		$2,565,696	$599,805

[1] Standard & Poor's
* Guaranteed by the U.S. Government

Interest Rate Risk – The Center's investment policy addresses interest rate risk to the extent that it prohibits the Treasurer from investing in securities which have a remaining term to final maturity of more than five (5) years. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Center, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk – The underlying securities for the repurchase agreement carry a rating of AAA by Standard and Poor's. The United States Treasury Notes are guaranteed by the U.S. Government. STAR Ohio carries a rating of AAAm by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The Center's investment policy does not limit its investment choices other than to permit only those investments specifically authorized by State statute.

Concentration of Credit Risk – The Center places no limit on the amount the Center may invest in one issuer.

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 4 - RECEIVABLES

Receivables at June 30, 2008 consisted of accounts, interest and intergovernmental receivables.

NOTE 5 - INTERFUND BALANCES

Individual interfund balances at June 30, 2008, are as follows:

	Interfund Loans Receivable	Interfund Loans Payable
General Fund	$16,913	$0
Nonmajor Governmental Funds		
Alternative Education Grant Fund	0	690
Federal Grants Fund	0	16,223
Total Nonmajor Governmental Funds	0	16,913
Totals	$16,913	$16,913

The interfund balances are to cover temporary cash deficits in funds.

NOTE 6 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at June 30, 2008:

Historical Cost:

Class	June 30, 2007	Additions	Deletions	June 30, 2008
Capital assets being depreciated:				
Buildings and Improvements	$645	$0	$0	$645
Machinery and Equipment	857,373	109,014	(83,233)	883,154
Total Cost	$858,018	$109,014	($83,233)	$883,799

Accumulated Depreciation:

Class	June 30, 2007	Additions	Deletions	June 30, 2008
Buildings and Improvements	($532)	($65)	$0	($597)
Machinery and Equipment	(684,655)	(93,738)	82,466	(695,927)
Total Depreciation	(685,187)	($93,803) *	$82,466	(696,524)
Net Value:	$172,831			$187,275

NOTE 6 - CAPITAL ASSETS (Continued)

* Depreciation expenses were charged to governmental functions as follows:

Instruction	$11,869
Support Services:	
Pupils	5,735
Instructional Staff	27,223
Administration	47,573
Fiscal Services	1,403
Total Depreciation Expense	$93,803

NOTE 7 - DEFINED BENEFIT PENSION PLANS

All of the Center's full-time employees participate in one of two separate retirement systems which are cost-sharing, multiple-employer defined benefit pension plans.

A. School Employee Retirement System

Plan Description - The Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. Interested parties may obtain a copy by making a written request to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current Center rate is 14 percent of annual covered payroll. A portion of the Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were $193,083, $165,357 and $154,485 respectively, which were equal to the required contributions for each year.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

Plan Description - The Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were $565,620, $511,746, and $450,495 respectively; which were equal to the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2008 were $4,326 made by the Center and $4,120 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 8 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was $35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

A. School Employee Retirement System (Continued)

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were $57,649, $40,394, and $37,848 respectively; which were equal to the required contributions for each year.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were $9,102, $8,302, and $8,607 respectively; which were equal to the required contributions for each year.

B. State Teachers Retirement System

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were $40,401, $36,553, and $32,178 respectively; which were equal to the required contributions for each year.

NOTE 9 - GENERAL LONG-TERM OBLIGATIONS

Long-term obligations of the Center at June 30, 2008 were as follows:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008	Amount Due Within one Year
General Long-Term Obligations:					
Compensated Absences	$851,986	$1,012	($91,070)	$761,928	$13,675
Total General Long-Term Obligations	$851,986	$1,012	($91,070)	$761,928	$13,675

NOTE 10 – OPERATING LEASE

The Center is obligated under an operating lease to Muskingum County for the rental of office space for a period of twenty years. The Center paid to the County half of the lease obligation ($400,000) in December of 1996. The next scheduled payment is due in January of 2009. The operating lease does not give rise to property rights or lease obligations, and therefore the results of the lease agreement are not reflected in the Center's financial statements. The following is a schedule by years of future minimum rental payments required under the operating lease that have remaining noncancelable lease terms in excess of one year as of June 30, 2008:

Fiscal Year Ending June 30,	Amounts
2009	$42,960
2010	42,960
2011	42,960
2012	44,460
2013	45,960
2014-2017	161,060
Total Minimum Payments	$380,360

NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS

Ohio Mid-Eastern Regional Education Service Agency/ (OME-RESA) – OME-RESA was created as a regional council of governments pursuant to State statutes. OME-RESA has 11 participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Noble and Tuscarawas Counties. OME-RESA is governed by a governing board which is selected by member districts. OME-RESA possesses its own budgeting and taxing authority. To obtain financial information write to the Ohio Mid-Eastern Regional Education Service Agency, Attn: Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

Coalition of Rural and Appalachian Schools - The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel.

The Council is not dependent on the continued participation of the Center and the Center does not maintain an equity interest in or financial responsibility for the Council. The Center's membership and seminar fees were $300 for fiscal year 2008.

NOTE 12 – INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan – The Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member board of directors consisting of the President, the President-elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as the coordinator of the program. Each year the participating school districts pay an enrollment fee to the GRP to cover the cost of administering the program.

Schools of Ohio Risk Sharing Authority – The Center participates in the Schools of Ohio Risk Sharing Authority (SORSA), a protected self-insurance purchasing pool under the authority of Ohio Revised Code 2744. Sixty-six school districts, educational service centers and joint vocational school districts participate in the SORSA. SORSA is governed by a body elected by members. Members agree to jointly participate in coverages of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials errors and omissions liability insurance.

Ohio School Benefits Cooperative - The Center participates in and serves as fiscal agent for the Ohio School Benefits Cooperative, a claims servicing and group purchasing pool comprised of fourteen school districts as of June 30, 2008. The Ohio School Benefits Cooperative (OSBC) was created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. OSBC is governed by a nine member Board of Directors, all of whom must be school district and/or educational service center administrators. OSBC is an unincorporated, non-profit association of its members which was created for the purpose of enabling members of the OSBC to maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, life and/or other group insurance coverage for their employees, and the eligible dependents and designated beneficiaries of such employees.

Participants pay a $500 membership fee to OSBC. OSBC offers two options to participants. Participants may enroll in the joint insurance purchasing program for medical, prescription drug, vision dental and/or life insurance. A second option is available for self-insured participants that provides for the purchase of stop loss insurance coverage through OSBC's third party administrator. The OSBC's business and affairs are conducted by a nine member Board of Directors consisting of school district superintendents and treasurers elected by the members of the OSBC. Medical Mutual/Antares is the administrator of the OSBC. On October 1, 2006, the ESC elected to participate in the fully funded purchasing program for medical, prescription drug, dental, and vision coverage.

NOTE 13 - RISK MANAGEMENT

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees. During fiscal year 2008 the Center contracted with one insurance provider for various insurance coverages, as follows:

Insurance Provider	Coverage	Deductible
Schools of Ohio Risk Sharing Authority	Property	$500
Schools of Ohio Risk Sharing Authority	Crime Coverage (includes Employee Dishonesty)	$500
Schools of Ohio Risk Sharing Authority	General Liability	$0
Schools of Ohio Risk Sharing Authority	Educator's Legal Liability	$0
Schools of Ohio Risk Sharing Authority	Automobile Physical Damage	$0
Schools of Ohio Risk Sharing Authority	Automobile Liability	$0

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

For fiscal year 2008, the Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 14 - CONTINGENCIES

A. Grants

The Center receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2008.

B. Litigation

The Center is currently not party to any litigation.

NOTE 15 – STATE FUNDING

The Center is funded by the State Department of Education for the cost of part (A) of their budget. This funding is provided from State resources.

Part (B) of the budget is provided by the school districts to which the Center provides services and by the State Department of Education. Each school district's portion is determined by multiplying the average daily membership of the school district (the total number of students enrolled) by $6.50. This amount is deducted by the State Department of Education from that school district's resources provided under the State's Foundation Program. The Department of Education's portion is determined by multiplying the sum of the average daily memberships of all of the school district's served by the Center by $40.52. This amount is provided from State resources.

If additional funding is needed for the Center, and if a majority of the Boards of Education of the school districts served by the Center approve, the cost of part (B) of the budget can be increased. The portion that is in excess of the original funding calculation is shared by all of the school districts served by the Center through additional reductions in their resources provided by the State Foundation Program. The State Board of Education initiates and supervises the procedure under which the school district's approve or disapprove the additional apportionment.

This space intentionally left blank.

NOTE 16 – INVESTMENT TRUST FUND

Effective June 25, 2004 the Center began to serve as a fiscal agent for the Ohio Coalition of Equity and Adequacy of School Funding (the Coalition), a legally separate entity. The Center pooled the moneys of the Coalition with its own for investment purposes at fair value, along with the pro rata share of the interest that it earns. The investment trust fund is not registered with the SEC as an investment company. The fair value of investments is determined annually. The pool does not issue shares. Each participant will be allocated a pro rata share of each investment and of the interest that it earns. Condensed financial information for the investment pool follows:

Statement of Net Assets
June 30, 2008

Assets:	
Equity Pooled in Cash and Cash Equivalents	$3,314,816
Total Assets:	$3,314,816
Net Assets Held in Trust for Pool Participants:	
Internal Portion	$2,782,038
External Portion	532,778
Total Net Assets Held in Trust for Pool Participants	$3,314,816

Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2008

Additions:	
Interest Income	$116,084
Deductions:	
Operating Deductions	0
Net Increase in Assets Resulting from Operations	116,084
Capital Transactions	1,077,859
Total Decrease in Net Assets	1,193,943
Net Assets - Beginning of Year	2,120,873
Net Assets - End of Year	$3,314,816

The Center has investments in U.S. Treasury Notes and a certificate of deposit, which are not pooled for investment purposes and are excluded from the investment trust fund. The investments are captioned on the Center's financial statements as "Investments". Cash and cash equivalents reported for the investment trust funds are the same as total cash and cash equivalents on the Center's financial statements.

SUPPLEMENTAL INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Local Sources:				
Tuition	$ 3,702,923	$ 3,846,633	$ 3,490,132	$ (356,501)
Services Provided to Other Entities	2,385,901	2,385,901	2,983,015	597,114
Investment Earnings	129,500	129,500	124,851	(4,649)
Extracurricular Activities	15,400	15,400	12,233	(3,167)
Intergovernmental - State	1,665,482	1,665,482	1,226,463	(439,019)
Intergovernmental - Federal	37,500	37,500	267,553	230,053
All Other Revenues	196,356	196,356	439,605	243,249
Total Revenues	8,133,062	8,276,772	8,543,852	267,080
Expenditures:				
Current:				
Instruction	2,721,176	2,859,235	2,947,478	(88,243)
Support Services:				
Pupils	1,750,546	1,750,546	1,771,509	(20,963)
Instructional Staff	2,586,476	2,586,476	2,332,928	253,548
Board of Education	35,791	35,791	34,300	1,491
Administration	548,545	548,545	488,359	60,186
Fiscal Services	206,387	206,387	203,638	2,749
Operation and Maintenance of Plant	4,100	4,100	2,047	2,053
Pupil Transportation	30,446	30,446	24,863	5,583
Central	78,849	78,849	124,505	(45,656)
Extracurricular Activities	23,829	23,829	12,283	11,546
Total Expenditures	7,986,145	8,124,204	7,941,910	182,294
Excess (Deficiency) of Revenues Over (Under) Expenditures	146,917	152,568	601,942	449,374
Other Financing Sources (Uses):				
Advances In	0	0	247,676	247,676
Refund of Prior Year's Receipts	(213,612)	(213,612)	(213,612)	0
Total Other Financing Sources (Uses):	(213,612)	(213,612)	34,064	247,676
Net Change in Fund Balance	(66,695)	(61,044)	636,006	697,050
Fund Balance at Beginning of Year	2,008,638	2,008,638	2,008,638	0
Prior Year Encumbrances	279,680	279,680	279,680	0
Fund Balance at End of Year	$ 2,221,623	$ 2,227,274	$ 2,924,324	$ 697,050

See accompanying notes to the basic financial statements

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) Special Revenue Fund – Tech Equity Fund For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental - State	$ 1,446,892	$ 1,638,690	$ 1,433,632	$ (205,058)
All Other Revenues	0	0	1,000	1,000
Total Revenues	1,446,892	1,638,690	1,434,632	(204,058)
Expenditures:				
Current:				
Instruction	54,357	97,582	98,331	(749)
Support Services:				
Pupils	180,076	212,353	212,913	(560)
Instructional Staff	794,006	894,531	889,876	4,655
Administration	328,031	341,904	341,433	471
Fiscal Services	72,164	74,062	74,062	0
Total Expenditures	1,428,634	1,620,432	1,616,615	3,817
Excess (Deficiency) of Revenues Over (Under) Expenditures	18,258	18,258	(181,983)	(200,241)
Other Financing Sources (Uses):				
Advances Out	(8,828)	(8,828)	(8,828)	0
Total Other Financing Sources (Uses):	(8,828)	(8,828)	(8,828)	0
Net Change in Fund Balance	9,430	9,430	(190,811)	(200,241)
Fund Balance at Beginning of Year	(157,610)	(157,610)	(157,610)	0
Prior Year Encumbrances	157,610	157,610	157,610	0
Fund Balance at End of Year	$ 9,430	$ 9,430	$ (190,811)	$ (200,241)

See accompanying notes to the basic financial statements

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) Special Revenue Fund - Parent Mentor Fund For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental - Federal	$ 1,288,674	$ 1,288,674	$ 973,798	$ (314,876)
Total Revenues	1,288,674	1,288,674	973,798	(314,876)
Expenditures:				
Current:				
Instruction	7,302	7,302	770	6,532
Support Services:				
Pupils	7,945	7,945	8,530	(585)
Instructional Staff	1,182,904	1,158,904	1,165,576	(6,672)
Administration	43,806	43,806	35,633	8,173
Fiscal Services	0	24,000	24,000	0
Total Expenditures	1,241,957	1,241,957	1,234,509	7,448
Excess (Deficiency) of Revenues Over (Under) Expenditures	46,717	46,717	(260,711)	(307,428)
Other Financing Sources (Uses):				
Advances Out	(46,717)	(46,717)	(46,717)	0
Total Other Financing Sources (Uses):	(46,717)	(46,717)	(46,717)	0
Net Change in Fund Balance	0	0	(307,428)	(307,428)
Fund Balance at Beginning of Year	(86,870)	(86,870)	(86,870)	0
Prior Year Encumbrances	86,870	86,870	86,870	0
Fund Balance at End of Year	$ 0	$ 0	$ (307,428)	$ (307,428)

See accompanying notes to the basic financial statements

Notes to the Supplemental Information
For the Fiscal Year Ended June 30, 2008

NOTE 1 BUDGETARY PROCESS

There are no budgetary requirements for Educational Service Centers identified in the Ohio Revised Code nor does the State Department of Education specify any budgetary guidelines to be followed.

The Center adopts its budget on or before the start of the new fiscal year. Included in the budget are estimated resources and expenditures for each fund. Upon review by the Center's Board, the annual appropriation resolution is adopted. After the start of the fiscal year, the estimated resources are revised to include the actual beginning of the fiscal year fund balances and accepted by the Board. Both the estimated resources and appropriations may be amended or supplemented throughout the year as circumstances warrant.

1. Appropriations

The annual appropriation resolution is enacted by the Center at the fund level of expenditures, which are the levels of budgetary control. Prior to the passage of the annual appropriation measure, the Center may pass a temporary appropriation measure to meet the ordinary expenditures of the Center. The appropriation resolution, by fund, must be within the estimated resources and the total expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, must be approved by the Center. The Center may pass supplemental appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the budget approved by the State Department of Education. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

2. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

NOTE 1 BUDGETARY PROCESS (Continued)

3. Budgetary Basis of Accounting

The Center's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures (budgetary basis) as opposed to reservations of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General fund:

Net Change in Fund Balance

	General Fund	Tech Equity Grant Fund	Parent Mentor Fund
GAAP Basis (as reported)	$198,597	$71,264	$316,256
Increase (Decrease):			
Accrued Revenues at June 30, 2008, received during FY 2009	(289,397)	(160,185)	(190,871)
Accrued Revenues at June 30, 2007, received during FY 2008	932,835	175,867	1,250
Accrued Expenditures at June 30, 2008, paid during FY 2009	973,476	100,362	4,202
Accrued Expenditures at June 30, 2007, paid during FY 2008	(876,520)	(186,042)	(110,009)
FY 2007 Prepaids for FY 2008	176,509	0	0
FY 2008 Prepaids for FY 2009	(122,501)	0	0
Encumbrances Outstanding	(356,993)	(192,077)	(328,256)
Budget Basis	$636,006	($190,811)	($307,428)

MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER
MUSKINGUM COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR ***Pass Through Grantor*** Program Title	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education:			
Title I Grants to Local Educational Agencies	84.010		$162
Special Education Cluster:			
Special Education - Grants to States	84.027	$973,797	906,254
Special Education - Preschool Grant	84.173	69,081	69,862
Total Special Education Cluster		1,042,878	976,116
State Improvement Grant	84.323	63,210	79,434
Total United States Department of Education		1,106,088	1,055,712
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the Muskingum County Department of Job and Family Services:			
Temporary Assistance to Needy Families	93.558	234,893	85,571
Total U.S. Department of Health and Human Services		234,893	85,571
Total Federal Awards Receipts and Expenditures		**$1,340,981**	**$1,141,283**

The accompanying Notes to the Federal Awards Receipts and Expenditures Schedule are an integral part of this schedul

NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
JUNE 30, 2008

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule summarizes the activity of the Center's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain federal programs require the Center to contribute non-federal funds (matching funds) to support the federally-funded programs. The Center has complied with the matching requirements. The expenditure of non-federal funds is not included on the Schedule.

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Muskingum Valley Educational Service Center
Muskingum County
205 North Seventh Street
Zanesville, Ohio 43701

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Muskingum Valley Educational Service Center, Muskingum County, Ohio (the Center), as of and for the year ended June 30, 2008, which collectively comprise the Center's basic financial statements and have issued our report thereon dated March 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Center's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Center's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Center's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701-2157
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 9, 2009

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Muskingum Valley Educational Service Center
Muskingum County
205 North Seventh Street
Zanesville, Ohio 43701

To the Board of Education:

Compliance

We have audited the compliance of the Muskingum Valley Educational Service Center, Muskingum County, Ohio (the Center), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the Center's major federal programs. The Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Center's compliance with those requirements.

In our opinion, the Center complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The Center's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to administer a federal program such that there is more than a remote likelihood that the Center's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Center's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 9, 2009

MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	No
(d)(1)(vii)	**Major Programs (list):**	Special Education Cluster– Grants to States and Preschool Grant, CFDA #84.027 and #84.173
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 14, 2009